



Actuarial & Employer Services Branch

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888 CalPERS (or **888-225-7377**) FAX (916) 795-3005

December 3, 2007

Dear Sir or Madam:

CalPERS is pleased to submit the enclosed information for your consideration in response to the **Request for Proposal** issued by your agency to establish or participate in an irrevocable trust for your agency's OPEB plan for retiree medical insurance. The attached pages contain an invitation to your agency to become a California Employers' Retiree Benefits Trust (CERBT) participant.

The CERBT is an irrevocable Section 115 trust, established by CalPERS under statutory authority in 2007 to assist California's public employers in meeting Other Post Employment Benefit (OPEB) obligations. The CERBT is administered by the CalPERS Board of Administration and is uniquely positioned to partner with the \$250 billion Public Employees' Retirement Fund (PERF). This partnership provides the CERBT access to the considerable knowledge and expertise of the CalPERS Investment Office, and investment opportunities that may not normally be available to other funds.

As the nation's largest pension plan, and third largest purchaser of health care products, CalPERS is oriented to assist public employers to fund the benefits they have promised their employees. CalPERS has forged close partnerships with employers to administer these complex benefit programs in such a way as to help minimize the impact on the employer's staff. CalPERS offers a comprehensive website, regularly participates in numerous public forums, and has both Employer and Customer (member) Contact Centers dedicated to helping all constituents.

Within the following schedules, you will see that there is no direct "fee" charged to any employer, except the actual expenses related to the trust. While there are no guarantees, it is expected that the typical charges that will be incurred will be in the range of 40 to 60 basis points, as a percentage of assets (as a government agency not seeking profit, CalPERS CERBT fees should be on the low end of proposals submitted to your agency). This estimated fee structure is the same as we have quoted to other agencies since the inception of the CERBT in March 2007. It is important to note that the costs, when netted against the gross investment returns is expected result in a favorable long term net investment return. The expected long term fund investment return, net of expenses is 7.75%.

The process to participate in the CERBT begins after your agency has obtained an actuarial valuation that calculated your agency's OPEB liabilities and Annual Required Contribution (ARC), which complies with the requirements stipulated in the CERBT participation agreement (see Appendix D). If your agency were to join the CERBT program, your actuary would have to perform your valuation relying on the CalPERS OPEB Assumptions and Methods Model (see Appendix E). Because the CERBT is an irrevocable trust as described in the GASB requirements, your booked Net OPEB Obligation (NOO) could be substantially reduced, and even eliminated from your balance sheet, if you choose to fully fund the annual ARC.

In order to participate in the CERBT, your agency would need to complete the following steps:

- Hire an actuarial consulting firm to perform the valuation work using the Actuarial Assumptions and Methods prescribed by CalPERS.
- Provide the actuarial firm with the Summary of Actuarial Information Required for CalPERS Financial Statements. Ask the actuarial firm to complete the required information on the spreadsheet and save it on a diskette or CD.
- Complete the Certification of OPEB Actuarial Information and Funding Policy.
- Complete and provide two original signed copies of the Agreement and Election to Pre-fund Other Post Employment Benefits.
- Complete the Delegation of Authority to Request Disbursements.
- Present the Agreement and the Delegation of Authority to the Employer's governing body for adoption and approval.

Once these steps are completed and the package submitted to the Constituent Relations Office at CalPERS, it should take about two weeks to complete the review and acceptance of the CERBT Agreement authorizing the your agency to make contributions to the CERBT fund.

The CERBT program will be entirely managed out of the CalPERS headquarters office. The contact information for this program is:

CalPERS Constituent Relations Office
CERBT (OPEB)
P.O. Box 942709
Sacramento, CA 94229-2709

It is our hope that you will join with the other California public agencies by participating in the CERBT. If there is any need for additional information, please contact Bruce Eastes, CERBT Program Manager, at (916) 795-0790.

Sincerely,

Kenneth W. Marzion
Assistant Executive Officer
Actuarial & Employer Services Branch

Enclosure